

Message Text

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20

ORIGIN NEA-05

INFO OCT-01 ISO-00 /006 R

66610

DRAFTED BY: NEA/INS:DKUX:MMK

APPROVED BY: NEA/INS:DKUX

DISTRIBUTION: NONE INDICATED

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R 202238Z NOV 73

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C O N F I D E N T I A L STATE 229165

FOLLOWING REPEAT NEW DELHI 13302 ACTION SECSTATE INFO
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16 NOV

QUOTE

C O N F I D E N T I A L NEW DELHI 13302

E.O. 11652: GDS

TAGS: PFOR, EGEN, IN, JA

SUBJECT: INDO-AAPANESE RELATIONS

SUMMARY: ON THE FACE OF IT, THERE SHOULD BE CONSIDERABLE
POTENTIAL FOR POSITIVE INTERACTION BY THE MOST NEEDY WITH
THE MOST PROSPEROUS AND DYNAMIC OF ASIAN COU TRIES. BUT
INDIA'S RELATIONS WITH JAPAN ARE SOMETHING OF A BACK
EDDY AMONG THE MAJOR CURRENTS SWEEPING ASIA TODAY.
JAPANESE BUSINESS ACTIVITY IN INDIA IS LIMITED AND HAS
DECLI ED IN RECENT YEARS IN TERMS OF JAPANESE PRESENCE
AND INTEREST. POLITICAL CONTACTS ARE NOMINAL. INDIA
IS VAGUELY INCLINED TOWARD GREATER ECONOMIC AND POLITICAL
COOPERATION WITH JAPAN. BUT THE JAPANESE ARMS-LENGTH RES-
PONSE IS DETERMINED BY A HARD-NOSED ASSESSMENT OF THE
PROFITABILITY OF STRUGGLING WITH INDIAN PRACTICES AND
THE INDIAN GOVERNMENT'S ANTI-FOREIGN BUSINESS ATTITUEES.
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IT IS REINFORCED BY A SHARP CULTURAL DISTASTE FOR
INDIANS. WE SEE LITTLE PROSPECT OF CHANGE IN THIS
EQAATION AND NO BASIS FOR INVOLVING OURSELVES IN TRYING
TO PROMOTE A MORE SUBSTANTIAL INDO-JAPANESE RELATIONSHIP.

END SUMMARY.

1. IN THE HISTORICAL PERSPECTIVE, JAPANESE INTEREST IN INDIA HAS DECLINED IN THE PAST TWO DECADES. JAPANESE DIPLOMATS HERE TELL US THAT THE POSITIVE IMAGE OF GANDHI AND NEHRU, THE SYMPATHETIC STANCE OF THE INDIAN JUDGE AT THE TOKYO WAR CRIMES TRIALS, AND INDIA'S WILLINGNESS TO SIGN A SEPARATE PEACE TREATY BECAUSE IT CONSIDERED THE SAN FRANCISCO TREATY UNJUST--ALL STRONGLY BIASED JAPANESE ATTITUDES TOWARD INDIA AFTER THE WAR. TO THIS WAS ADDED THE PROSPECT OF A MAJOR ECONOMIC RELATIONSHIP WITH ASIA'S SECOND LARGEST COUNTRY WITH AMPLE SCOPE FOR TRADE AND INVESTMENT.

2. THE HIGH JAPANESE HOPES OF THE INDIANS HAVE VANISHED. CONTRIBUTING ELEMENTS HAVE BEEN: CHINESE DEFEAT OF INDIA IN 1962 AND THE DECLINING IMAGE OF INDIA AS A MAJOR FORCE IN ASIA; THE LIMPNESS OF INDIAN DOMESTIC POLITICS AND FOREIGN POLICY AFTER NEHRU'S DEATH; AND THE LAGGARD PACE OF INDIAN ECONOMIC GROWTH AND INDIAN DIFFICULTY IN RESPONDING TO OVERTURES FROM THE ENERGETIC, GO-GETTING, CAPITALIST JAPANESE FOR EXPANDED TRADE AND INVESTMENT BETWEEN THE TWO COUNTRIES.

3. OUR IMPRESSIONS, GATHERED FROM OUR CONTACTS WITH JAPANESE THROUGHOUT INDIA AND INDIANS WHO HAVE DISCUSSED THESE ISSUES WITH JAPANESE, ARE THAT JAPANESE ATTITUDES TOWARD INDIA OVER THE LAST DECADE HAVE INCREASINGLY BEEN INFLUENCED BY JAPANESE DIFFICULTY IN UNDERSTANDING AND APPRECIATING INDIANS IN GENERAL AND INDIAN POLITICAL AND ECONOMIC POLICIES IN PARTICULAR. THE JAPANESE HERE OFTEN PROFESS BEWILDERMENT AND INCOMPREHENSION OF INDIA AND SEEM TO FIND THE INDIANS DIRTY, DISORGANIZED, IMPOLITE, DEMANDING, SNEAKY, UNTRUSTWORTHY, AND GENERALLY INCOMPETENT. THEY DISTRUST INDIAN BUSINESS METHODS AND INDIAN NEGOTIATING TACTICS. THEY ARE DISSATISFIED WITH THE QUALITY OF INDIAN WORKMANSHIP, CONFIDENTIAL

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THE LOW PRODUCTIVITY AND CHRONIC UNREST OF INDIAN LABOR, AND INDIAN FAILURES TO MEET DELIVERY SCHEDULES. THEY ARE SUSPICIOUS OF THE INDIAN GOVERNMENT'S ANTI-BUSINESS AND FOREIGN INVESTMENT PSYCHOLOGY, ITS EMPHASIS ON

NATIONALIZATION AND INDIANIZATION, ITS BUREAUCRATIC RED TAPE AND CORRUPTION, AND ITS LACK OF CONTINUITY IN POLICY.

4. THE INDIAN ATTITUDE TOWARD JAPAN IS MORE POSITIVE AND LESS SHARPLY FOCUSED. JAPANESE BUSINESSMEN ARE SEEN AS HARD WORKING, EFFICIENT, BUT SOLELY PROJECT ORIENTED. THE INDIANS SUSPECT JAPANESE BUSINESS (AS THEY DO ALL

FOREIGN BIG BUSINESS) OF ECONOMIC AGGRESSION AND ARE
LEERY OF THEIR INVOLVEMENT WITH JAPANESE BUSINESSMEN.
STILL, BECAUSE OF THE LIMITED JAPANESE PRESENCE HERE
THERE IS LITTLE OF THE BROAD RESENTMENT AND FEAR OF
JAPANESE PENETRATION THAT IS PREVALENT IN SOUTHEAST
ASIA. THE JAPANESE HAVE A GENERALLY FAVORABLE IMAGE.
THE INDIANS COMPLAIN, HOWEVER, THAT, WHILE THEY ARE
PREPARED FOR ECONOMIC COOPERATION (I.E., TO RECEIVE AID
AND COMMERCIAL BENEFITS) AND WOULD LIKE TO SEE CLOSER
(BUT ILL-DEFINED) POLITICAL COOPERATION WITH JAPAN, THE
JAPANESE HAVE BEEN SLOW TO RESPOND.

5. AS FOR COMMERCIAL, AID, AND CULTURAL RELATIONS:

(A) THE SIZE OF THE JAPANESE OFFICIAL AND PRIVATE
REPRESENTATION IN INDIA HAS DROPPED OVER THE PAST TEN
OR FIFTEEN YEARS; THERE ARE CURRENTLY ONLY ABOUT 900
JAPANESE CITIZENS RESIDENT IN INDIA;

(B) FROM 1961 TO 1972 INDIA'S TRADE WITH JAPAN MORE
THAN DOUBLED FROM DOLS 222 MILLION TO DOLS 488 MILLION,
PRIMARILY BECAUSE OF EXPANDED INDIAN SHIPMENTS OF IRON
AND OTHER MINERAL ORES, RAW MATERIALS AND TRADITIONAL
EXPORTS. DURING THIS PERIOD INDIAN IMPORTS FROM JAPAN
NEARLY DOUBLED (DOLS 128 MILLION TO DOLS 213 MILLION),
BUT INDIA'S SHARE OF JAPAN'S TOTAL EXPORT TRADE FELL
FROM 3 TO LESS THAN ONE PERCENT. INDIAN EXPORTS TO
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JAPAN QUADRUPLED BETWEEN 1961 AND 1972 (DOLS 74 MILLION
TO DOLS 275 MILLION), RAISING JAPAN'S SHARE OF INDIA'S
EXPORT TRADE FROM 5.3 TO 10.5 PERCENT;

(C) THE JAPANESE ARE ONLY MODERATELY ACTIVE COMMERCIALY
IN INDIA. THEY ARE INVOLVED IN SOME ENGINEERING AND
CONSUMER GOODS PROJECTS AND A NUMBER OF COOPERATIVE
VENTURES INVOLVING LITTLE JAPANESE INPUT OTHER THAN
TECHNOLOGY. A NUMBER OF JAPANESE FIRMS AND BANKS STILL
MAINTAIN OFFICES HERE. BOTH SIDES HAVE EXPRESSED SOME
INTEREST IN TRANSFERRING PRODUCTION OF LABOR INTENSIVE
GOODS TO INDIA ON A SUBCONTRACT BASIS, BUT IN LIGHT OF
THE MORE ATTRACTIVE NEARBY ALTERNATIVES, THE JAPANESE
HAVE CONCLUDED THE RESULTS WOULD NOT AT PRESENT JUSTIFY
THE EFFORT;

(D) GOI DATA FOR 1968 SHOWED JAPANESE DIRECT PRIVATE
INVESTMENT IN INDIA AS TOTALING DOLS 3.2 MILLION, OR
LESS THAN HALF OF ONE PERCENT OF ALL SUCH FOREIGN IN-
VESTMENT. ACCORDING TO JAPANESE DATA, AS OF THE END OF
1968 JAPANESE DIRECT PRIVATE INVESTMENT IN INDIA WAS

DOLS 13.7 MILLION. THE AMOUNT IS STILL NEGLIGIBLE. BY WAY OF COMPARISON, US DIRECT PRIVATE INVESTMENT ATW THE END OF 1971 WAS DOLS 340 MILLION, ACCORDING TO THE US DEPT. OF COMMERCE;

(E) IN MINERALS AND MINING, THE JAPANESE WERE ONCE VERY BULLISH ON INDIAN RESOURCES. BUT THEY HAVE BEEN DISCOURAGED BY THE INTERMINABLE DELAYS IN GETTING ANYTHING

DONE. THE JAPANESE CONTINUE TO BUY INDIAN ORE TO KEEP A HAND IN THE MARKET, BUT THERE IS NO CURRENT NEW JAPANESE INTEREST IN MINERAL DEVELOPMENT HERE;

(F) THE JAPANESE CONTINUE AID AND TECHNICAL ASSISTANCE PROGRAMS (CURRENTLY FIFTEEN EXPERTS), BUT ARE DUBIOUS OF THE VALUE OF BOTH. THE INDIANS HAVE BEEN TRYING HARD TO PRY OUT OF THE JAPANESE A COMMITMENT TO HELP FINANCE, BUILD, AND SERVICE FIVE FERTILIZER PLANTS; THE JAPANESE WILL PROBABLY HELP WITH TWO. TOKYO IS CONFIDENTIAL

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UNENTHUSIASTIC ABOUT EXTENDING CREDIT TO INDIA BUT PAYS OUT A LIMITED AMOUNT TO AVOID BEING BADGERED AND CRITICIZED BY THE VOLUBLE INDIANS AS ENTIRELY UNWILLING TO AID DEVELOPING COUNTRIES;

(G) THE CULTURAL EXCHANGE PROGRAM IS MINISCULE AND UNLIKELY TO INCLUDE MUCH BEYOND A HANDFUL OF LANGUAGE TRAINEES AND AN OCCASIONAL CULTURAL PRESENTATION. THERE ARE A FEW INDIANS STUDYING JAPANESE BUT A VIRTUALLY TOTAL UNAWARENESS (AND VERY LITTLE INTEREST) IN INDIA OF JAPANESE CULTURE AND SOCIETY.

6. WITH REGARD TO COOPERATION ON INTERNATIONAL POLITICAL ISSUES, THERE IS AN ARMS-LENGTH APPROACH ON THE PART OF THE JAPANESE. THERE ARE FEW ACTIVE POLITICAL ISSUES BETWEEN INDIA AND JAPAN, AND THE JAPANESE HOPE IT REMAINS THAT WAY. JAPANESE DEPENDENCE ON PERSIAN GULF OIL AND ITS INTEREST IN FREE TRANSIT OF THE INDIAN OCEAN MIGHT LEAD TO GREATER INTERPLAY WITH INDIA ON ISSUES IN THIS AREA, BUT WE SEE NO SIGNS OF THIS YET. WHEN AN ASIAN ISSUE ARISES IN WHICH BOTH ARE INTERESTED--SUCH AS HOW TO DEAL WITH VIET-NAM AFTER THE CONFLICT--INDIAN AND JAPANESE APPROACHES ARE AT VARIANCE AND COOPERATION IS MINIMAL. INDIA AND JAPAN APPROACH SOUTHEAST ASIA FROM VERY DIFFERENT PERSPECTIVES IN TERMS OF THEIR CAPABILITY, ASPIRATIONS AND OBJECTIVES. THERE MAY BE ELEMENTS OF CONFLICT AND RIVALRY IN THEIR ECONOMIC AND POLITICAL AIMS, BUT IN INDIA ANY SENSE OF FRICTION WITH JAPAN IN THIS AREA IS NOT HIGHLY ARTICULATED AND IT HAS AN EXTREMELY LIMITED INFLUENCE ON INDO-JAPANESE

BILATERAL RELATIONS.

7. IN THE LONGER RUN, WE WOULD EXPECT THAT, WHATEVER THE CULTURAL REPULSIONS, THE JAPANESE RESPONSE TO "OPPORTUNITIES" IN INDIA WILL BE DETERMINED BY THE PROFIT THEY CAN DERIVE FROM ACTIVITIES HERE. WE SEE LITTLE IN CURRENT TRENDS THAT WOULD LEAD THE JAPANESE TO SHIFT FROM THE HARD-NOSED WATCHING BRIEF THEY HAVE ADOPTED TOWARD INDIA TO A MORE EXTENSIVE ECONOMIC AND POLITICAL ENGAGEMENT. FOR INDIA WE WOULD EXPECT A
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CONTINUING VAGUE INCLINATION TOWARD THE "BENEFITS" OF GREATER ECONOMIC AND POLITICAL COOPERATION WITH JAPAN BUT LITTLE SERIOUS EFFORT TO ADJUST INGRAINED PRACTICES AND GOVERNMENTAL POLICIES TO ELICIT JAPANESE INTEREST.

8. WE OCCASIONALLY HEAR ECHOES FROM THE SOVIETS IN DELHI OF US IDEAS OF THE 50'S AND EARLY 60-S ABOUT INDIA AND JAPAN AS ANCHORS OF THEIR POLICIES TOWARD ASIA AND THE DESIRABILITY OF GREATER COOPERATION BETWEEN INDIA AND JAPAN AS A BALANCE TO CHINESE INFLUENCE. BUT WE HAVE DETECTED NO ACTIVE SOVIET EFFORTS TO ENCOURAGE THIS PROCESS. WE CERTAINLY SEE NO PURPOSE TO TRYING TO ENGAGE OURSELVES IN PROMOTING A MORE SUBSTANTIAL INDO-JAPANESE RELATIONSHIP. ALREADY, THE JAPANESE DON'T SPARE THE INDIANS PLAIN TALK ABOUT WHAT'S WRONG WITH THEM FROM THE JAPANESE VIEWPOINT AND THE CHANGES THEY MUST MAKE IF THEY WANT TO ATTRACT JAPANESE COOPERATION. THE INDIANS SEEM TO LISTEN WITH SOME MEASURE OF COMPREHENSION, TO RESPOND, YES, BUT THAT'S THE WAY WE ARE, AND THAT'S THE END OF THE MATTER.
MOYNCIHAN UNQUOTE KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, FOREIGN INVESTMENTS, TRADE DATA, MINERALS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE229165
Document Source: ADS
Document Unique ID: 00
Drafter: NEA/INS:DKUX:MMK
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731167/abqcejxr.tel
Line Count: 254
Locator: TEXT ON-LINE
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30-Jul-2001 by kellew0>; APPROVED <15-Jan-2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDO-AAPANESE RELATIONS
TAGS: PFOR, EGEN, IN, JA
To: COLOMBO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005